

Message Text

LIMITED OFFICIAL USE

PAGE 01 SANTO 02992 222138Z

66

ACTION ARA-20

INFO OCT-01 EA-11 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 FEA-02

DOT-00 FMC-04 CG-00 COA-02 DLOS-07 SWF-02 OPIC-12

DRC-01 /191 W

----- 082489

R 222045Z JUL 74

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 1019

INFO AMEMBASSY CARACAS

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SANTO DOMINGO 2992

E.O. 11652: N/A

TAGS: ETRD, ETRN, ERNG, EMIN, DR, VE, JA

SUBJECT: VENEZUELA/DOMINICAN REPUBLIC ECONOMIC RELATIONS

REF: SD 2385 (NOTAL)

1. DURING TRADE TALKS BETWEEN VENEZUELA AND THE DR (REPORTED REFTTEL) AND IN SUBSEQUENT CONTACTS BETWEEN OFFICIALS OF BOTH GOVERNMENTS, THE VENEZUELANS ALLEGEDLY OFFERED TO LOAN THE DOMINICANS SUFFICIENT FUNDS FOR THE GODR TO BUY OUT SHELL'S HALF OF THE LOCAL REFINERY (A JOINT GODR/SHELL OPERATION). ONCE THE REFINERY WAS ALL IN GOVERNMENT HANDS, THE VENEZUELANS WOULD DISCUSS ASSURED SUPPLIES OF CRUDE TO THE REFINERY. EMBASSY CONTACTS IN BOTH DOMINICAN PETROLEUM AND GOVERNMENT CIRCLES HAVE TOLD US THAT THE DOMINICANS FLATLY HAVE REJECTED THE VENEZUELAN OFFER. A LOCAL ECONOMIST,
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SANTO 02992 222138Z

BERNADO VEGA, WHO ALSO SERVES ON THE REFINERY'S

BOARD OF DIRECTORS, CLAIMS THAT THE DOMINICAN REJECTION WAS BASED IN PART ON DOUBTS ABOUT HOW MUCH OIL THE GOV ITSELF NOW HAS, AND THE GODR COULD SEE NO ADVANTAGE IN ACQUIRING ALL OF THE REFINERY. AT LEAST UNDER THE PRESENT ARRANGEMENT, SHELL HAS AN INTEREST IN CONTINUING TO SUPPLY OIL AND THE GODR HAS A PARTNER WITH WHICH TO SHARE ITS PETROLEUM SUPPLY PROBLEMS - OR POTENTIAL PROBLEMS. IN SUM, THE DOMINICANS APPEAR TO HAVE LITTLE TRUST IN VENEZUELAN MOTIVES.

2. EMBASSY ALSO HAS HEARD FROM LOCAL DISTRIBUTOR CONTACTS THAT VENEZUELAN TOLD DOMINICANS THAT THE FORMER'S RECENT \$0.35 PER BARREL TAX INCREASE SHOULD NOT AFFECT DOMINICAN BALANCE OF PAYMENTS SINCE THE OIL COMPANIES CAN READILY ABSORB THE INCREASE. LOCAL DISTRIBUTORS, OF COURSE, DISPUTE THIS CONTENTION. THEY WERE NEGOTIATING WITH THE GOVERNMENT FOR A \$0.01 PER GALLON GASOLINE PRICE INCREASE BEFORE THE VENEZUELAN INCREASE. THEY FEAR THAT VENEZUELA'S REMARKS WILL COMPLICATE THESE NEGOTIATIONS AND SUBSEQUENT NEGOTIATIONS TO INCREASE PRICES RESULTING FROM VENEZUELAN TAX.

3. FROM LOCAL CONTACTS IN SHIPPING FIELD, EMBASSY HAS LEARNED THAT VENEZUELAN HAVE RAISED WITH DOMINICANS A "DAL" INVOLVING SHIPS. WHILE DETAILS OF THE "DEAL" HAVE NOT EMERGED, IT SEEMS TO INVOLVE AN ARRANGEMENT FOR THE DR TO USE VENEZUELAN SHIPS AS DOMINICAN FLAG VESSELS, PERHAPS THROUGH LEASING. CURRENTLY, THE DR HAS NO FLAG VESSELS. THE RUMOR IS THAT VENEZUELAN ARE INTERESTED IN BREAKING INTO SHIPPING BUSINESS HERE, EXPECIALLY FOR BULK CARGOS SUCH AS SUGAR AND BAUXITE. IN PARTIAL SUPPORT OF THIS RUMOR, AT LEAST ONE LOCAL SHIPPING AGENT WHO HANDLES SOME JAPANESE LINES HAS BEEN TOLD BY HIS JAPANESE CLIENTS THAT VENEZUELAN HAVE ASKED JAPAN FOR 50 PERCENT OF THEIR CARGOS IN THE CARIBBEAN IN EXCHANGE FOR PETROLEUM. THE LOCAL SHIPPING AGENT (BAEZ Y RANNIK) HAS ALREADY NOTICED THAT SOME CARGOS TO AND FROM THE DR FORMERLY HANDLED BY JAPANESE VESSELS ARE BEING DIVERTED TO VENEZUELAN VESSELS. EMBASSY UNDERSTANDS THAT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SANTO 02992 222138Z

VENEZUELA HAS ACQUIRED SOME OF ITS VESSELS FROM THE JAPANESE.

4. AN INDICATION OF DOMINICAN INTEREST IN A SHIPPING DEAL MAY BE THEIR INCLUSION IN THE ALCOA NEGOTIATIONS OF A CLAUSE TO CARRY 50 PERCENT OF THE BAUXITE EXPORTS ON DOMINICAN FLAG VESSELS "IF AVAILABLE." THE DOMINICANS ALSO WOULD LIKE ALCOA TO CONCEDE THE GODR'S

RIGHT TO DETERMINE THE DESTINATION OF BAUXITE EXPORTS.

5. COMMENT: ALTHOUGH THE DOMINICANS REMAIN INTERESTED
IN TALKING TO THE VENEZUELANS, THEY APPEAR TO BE DOING
SO WITH A CONSIDERABLE AMOUNT OF CAUTION, IF NOT
SUSPICION.
HURWITCH

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, PETROLEUM, SUGAR, ECONOMIC CONDITIONS, SHIPS, BAUXITE, INTERGOVERNMENTAL COOPERATION, NEGOTIATIONS, PRICE TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANTO02992
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740198-0128
From: SANTO DOMINGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740728/aaaaayab.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: SD 2385 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 31 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 JUL 2002 by elyme>; APPROVED <19 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VENEZUELA/DOMINICAN REPUBLIC ECONOMIC RELATIONS
TAGS: ETRD, ETRN, ENRG, EMIN, DR, VE, JA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005